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## ***LEGAL SERVICES CORPORATION*** **OFFICE OF INSPECTOR GENERAL**

### **STRATEGIC PLAN** **(Fiscal Years 1999-2004)**

This Strategic Plan of the Legal Services Corporation (LSC) Office of Inspector General (OIG) covers fiscal years 1999-2004 and will be updated no later than the end of each calendar year as the performance plan for the next fiscal year is created.

Strategic planning aims to identify missions and goals, and to develop priorities and strategies to accomplish missions and goals within limited resources. Strategic planning is a cyclical process that assesses performance and reconsiders operational methods and work plans in order to obtain desired results in a changing environment.

The purpose of this plan is to define the future direction of OIG activities. It sets forth the OIG mission, the assessments that determine OIG priorities, strategies for accomplishing its goals, and associated resources. The strategic plan is a means to ensure that resources remain focused on the most important issues and to guide future resource decisions.

### **Missions**

The statutory mission of the Legal Services Corporation is to provide “financial support for legal assistance in noncriminal proceedings or matters to persons financially unable to afford legal assistance.” Controlling statutes also require that LSC choose grantees to provide such legal assistance to the poor through a process of competitive bidding, ensure grantee compliance with applicable laws and implementing regulations and guidelines, and evaluate grantees to ensure maintenance of high quality service. LSC has an implied mission to make the most efficient and effective use of its taxpayer-provided resources in the delivery of legal assistance to those eligible.

The principal missions of the LSC OIG are two: (1) to prevent and detect fraud, waste, and abuse, and (2) to promote economy, efficiency, and effectiveness in the operations administered or funded by the Corporation. The OIG also has the implied mission of making the most efficient use of its taxpayer-provided resources in conducting its oversight activities.

### **Customers**

The Inspector General Act establishes a unique status for IGs in that they report to both the entity head and to the Congress. The primary customers of the LSC OIG are the LSC Board of Directors and Congress. LSC management and staff, grantees, and those who receive legal services with appropriated funds are also customers. Those who pay the taxes that fund these services are the ultimate customers.

## **Environment**

The environment in which LSC operates can have a material effect on its ability to accomplish its mission in an efficient and effective manner with minimal fraud and abuse.

### **General**

The information technology revolution is expected to continue to accelerate. The widespread proliferation of Internet applications in less than three years has already resulted in changes to the way organizations conduct their business. The technology not only offers ways to improve the efficiency and effectiveness of operations, but also will be required in order to conduct routine business in the not too distant future.

### **Federal Government**

The last ten years have witnessed an increased emphasis on accountability for the use of public funds. This emphasis has not been limited to the safeguarding of resources from loss, but has extended to accountability to the public for the effectiveness of government programs as well. The National Performance Review and its focus on reinventing government reflected this expanded interest.

Congress expanded coverage of the Inspector General Act to the small agencies known as designated federal entities. It also passed the Chief Financial Officers Act and the Government Performance and Results Act to improve financial and performance accountability in government. The latter statute requires government agencies to develop multi-year strategic plans, and to submit performance plans with their budget requests, along with a performance report on the previous year's results in terms of that year's plan. Agencies now have the burden of demonstrating results from prior appropriations as they request more resources, and the agencies that are able to do so convincingly are likely to receive greater support for their funding requests.

The federal funding environment is expected to grow more difficult with each passing year. Non-discretionary federal spending is expected to continue to decline, barring significant breakthroughs in reducing Medicare and Social Security costs.

## LSC

There has been continuous public debate over the need for, and performance of, the federally funded legal services program managed by the Corporation. The most recent reductions in funding for LSC programs have resulted in downsizing of both the Corporation and its grantees, including the closing of some offices. Recent appropriations statutes imposed new restrictions and prohibitions on the legal services LSC grant recipients may provide and to whom the services may be provided. The 1996 appropriations act also required that grants be awarded competitively, thus ending the long-standing and statutory “presumptive refunding.” The appropriations act required that grantee annual audits be conducted in accordance with guidance established by the Office of Inspector General, and that Corporation management follow up on significant findings found by the independent public accountants and reported to management by the OIG. Under the law, these audits are to be the main vehicle for monitoring grantee compliance with statutory requirements and may be supplemented with additional audits, inspections, and other visits conducted by the OIG.

## Vision and Goals

The LSC OIG vision is to serve its clients as constructive critic, helpful advisor, and positive change agent. While maintaining our independence, we intend to work in a cooperative fashion with others involved in the federal legal services program.

Our aim is to deter those who would defraud or abuse, and failing that, cause them to be held accountable for their misconduct. Similarly, we aim to make a material contribution to program efficiency and effectiveness -- to make a positive difference in the delivery of legal services to the poor.

The OIG is an oversight organization and accomplishes its missions principally through audits, investigations, and other fact-finding and reporting activities. OIG mission effectiveness is achieved by focusing OIG activities on the right issues at the right time (**goal: relevance**); by performing the work credibly (**goal: credibility**); and by reporting the results of our work in a manner that achieves maximum impact and encourages expeditious corrective action (**goal: communication**). We believe that these broad goals, if accomplished, represent the best performance possible by an OIG. Our performance plan will present an array of performance measures and indicators for these goals.

These broad goals apply to both OIG missions: (1) preventing and detecting fraud, waste, and abuse; and (2) promoting economy, efficiency, and effectiveness in programs operated or administered by LSC.

The goal of relevance, as applied to fraud, waste and abuse, traditionally has been achieved through an assessment of the risks present in an entity’s operations and environment. However, the same approach can be applied to determining the most compelling issues for OIG focus in program economy, efficiency, and effectiveness.

## Risk Assessment

The term *risks* is used to describe both the exposure of public assets to loss or abuse, and the potential that LSC operations might not be performed as efficiently and effectively as possible. Elements to be considered in assessing risks are potential risk conditions, the likelihood of each risk occurring, and the effects if a potential risk is realized. The assessments below of the levels of risk are the product of the experiences and perspectives of the OIG.

### Fraud, Waste, and Abuse

The overall risk of fraud within LSC itself is considered *low*. Ninety-seven percent of the funds appropriated are disbursed to grantees, and prior OIG audit work determined that the disbursement process was free of material levels of fraud. The remaining funds are largely allocated to LSC payroll costs, but procurement and travel funds have more exposure to potential fraud within LSC (*risks: procurement, medium; travel, low*).

LSC is in the process of implementing a new accounting system, an inherently high risk change that could have a pervasive effect on the financial statements and operations of the Corporation (*risk: high*).

The overall risk of fraud associated with LSC grantees is considered *low*. Grantees are required to submit an annual financial statement audit conducted in accordance with *Government Auditing Standards* and with other guidance issued by the OIG. Only one loss exceeding \$100,000 has been experienced in a seven-year period during which over a billion dollars was awarded in grants, and the overall rate of reported losses has been very low. Personnel compensation accounts for a high proportion of expenses, procurement expenses are normally small, and the only routine cash handling is associated with client trust funds.

Client trust funds are vulnerable in that clients often pay in cash, do not receive periodic reconciliation statements, and are not likely to question what they are told. Although the amounts are very small in federal terms, they are not insignificant to those least able to afford such a loss. Previous OIG experience includes trust funds borrowed to meet grantee payroll, trust funds lost through failure to safeguard adequately, and one instance in which we believe a grantee employee systematically preyed upon the grantee's clients (*risk: medium*).

The principal risk of abuse associated with LSC grantees is that of noncompliance with the restrictions, prohibitions, and other requirements imposed by Congress. A key factor affecting the degree of risk is the complexity of the restrictions and prohibitions. The extent to which grantees comply with these restrictions and prohibitions is of great interest to the LSC Board of Directors and management and the Congress, and as such qualifies as significant risk (*risk: high*).

Competition in the grant award process creates the likelihood of replacing grant recipients. The potential for terminating grantee funding requires increased LSC diligence in safeguarding grantee investments funded by the federal government. These investments include real estate, equipment, employee benefits, and any residual excess and deficit fund balances and questioned costs. Termination of funding also requires proper disposition of client trust funds (*risk: medium*).

### **Economy, Efficiency, and Effectiveness**

The Corporation has been engaged in a substantial regulatory effort to implement the fiscal year 1996 appropriations act, which imposed new administrative requirements on grantees as well as restrictions and prohibitions related to the services grantees may provide. The OIG was involved in the regulatory drafting process, thus lowering any risk that the law might not be effectively implemented. However, the Corporation must now ensure that, in practice, the regulations have their intended effect and that there are no ambiguities allowing interpretations or applications inconsistent with the law. Effective implementation of the law is of considerable interest to the LSC Board of Directors and management and to the Congress (*risk: medium*).

The fiscal year 1996 appropriation also required grants to be awarded competitively. Competition for grants presents an opportunity for LSC to bring about greater efficiency and effectiveness in the delivery of legal services. At the same time, with 97 percent of LSC funds distributed to grantees through the competitive process, the relative newness and complexity of the process for awarding grants, and the clear congressional interest in the process, competition for grants constitutes an area of significant risk (*risk: high*).

Information resource management is a high risk in many agencies and a relatively new function at the Corporation. The Corporation may not have in place effective practices and procedures for the management of information resources (*risk: high*).

The Corporation may not have sufficient accurate information to oversee, assess, and improve the performance of the delivery system. In turn, some important areas relating to the efficiency and effectiveness of the current delivery system in representing the interests of its clients may not have been assessed recently in a comprehensive manner (*risk: high*).

# STRATEGIES

The foregoing risk assessment is the first step in achieving the broad goal of relevance. Achieving relevance also requires that OIG resources be applied in a rational manner consistent with that assessment -- that is, in accordance with a strategy based on the risk assessment. Our risk-based strategies to accomplish our missions appear below.

## **Fraud**

In general, the risk assessment leads us to place much less emphasis on the fraud component of our mission as compared to potential abuse of restrictions or legal services efficiency and effectiveness.

Our **strategy** to prevent and detect fraud in grant funds begins with effective annual financial statement audits to help deter major embezzlements,<sup>1</sup> normally the only way that significant sums can be misappropriated from LSC grants. When deterrence fails, effective financial statement audits limit future losses by detecting and reporting the loss. We will conduct audit service reviews of the financial statement audit work performed by Independent Public Accountants (IPAs) to promote adequate account reconciliations, the primary means of detecting significant embezzlements. In addition to conducting investigations into reported losses, we also will monitor investigations conducted by state and local law enforcement and professional disciplinary authorities, operate a HOTLINE to facilitate reporting of fraud and abuse, and publish fraud alerts periodically to report losses and convictions to grantees and their staffs, and to provide advice where applicable.

Our **strategy** to prevent and detect fraud within LSC itself is to continue to oversee the annual financial statement audit of the Corporation, and to conduct periodic reviews of procurement, payroll, and travel expenses. We also will review LSC's new financial system when it is fully implemented.

## **Abuse of Restrictions**

Our **strategy** for the prevention and detection of grantee noncompliance is to continue to maintain the Audit Guide and Compliance Supplement for grant recipients, and to continue to review

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<sup>1</sup> Financial statement audits are not designed to detect fraud. However, embezzlement of significant amounts should be detected because the loss would be material to the accuracy of the financial statements being audited.

the annual financial statement audit reports of the Independent Public Accountants (IPAs). We also will review the IPAs' audit work with respect to compliance checks through audit service reviews. We also will conduct on-site checks of recipient compliance with restrictions and associated requirements and internal controls such as timekeeping. Last, we will continue to review and comment on regulations implementing statutory provisions, and on other guidance documents issued to grantees.

### **Efficiency and Effectiveness**

The efficiency and effectiveness of the legal services delivery system funded by LSC grants is the bottom line of this federal program. Good management requires good information and our **strategy** is to begin by reviewing the quality of the information collected by the Corporation. We will then begin to assess various aspects of the service delivery system such as client satisfaction, priority setting, and the use of private attorneys. We also will review the Corporation's implementation of competitive grant-making after competitively-awarded grants in all service areas have been in place at least one year.

## **Activities for Achieving Goals Fiscal Years 1999-2004**

The following is a list of LSC OIG activities and projects, ordered by their character as mandatory or discretionary. Most mandatory activities are ongoing and have first claim on OIG resources. Activities considered mandatory are those required by statutes, by applicable standards such as auditing and investigative ones, and by LSC processes; those tasks implied by the above; and such basic executive functions as supervision and resource management. Only those activities requiring significant resources are displayed.

Other activities are discretionary and can claim resources remaining after mandatory responsibilities are fulfilled. All discretionary projects are intended to address the statutory missions of minimizing fraud, waste, and abuse or promoting economy, efficiency, and effectiveness.

### **MANDATORY ACTIVITIES**

#### **Auditing Functions**

- Review grantee financial statement audit reports.
- Conduct audit service reviews of grantee audits.
- Manage grantee audit follow up process.

Update Audit Guide and Compliance Supplement.  
Contract for and oversee audit of LSC financial statements.  
Conduct and receive “peer reviews” as assigned by Executive Council on Integrity and Efficiency.

### **Investigative Functions**

Investigate instances of fraud, waste, and abuse; and report results to appropriate authorities.  
Refer evidence of crimes to prosecutors.  
Receive and investigate complaints or information from employees.

### **Legal Review Functions**

Review and comment on proposed and existing regulations and legislation.  
Review and coordinate FOIA requests for OIG documents.  
Respond to congressional inquiries to the OIG.  
Review and prepare OIG contracts.  
Suspend or debar Independent Public Accountants from auditing LSC grantees.

### **Executive Functions**

Submit the OIG Semiannual Report to Congress.  
Administer and manage OIG human, financial, and information resources.  
Conduct strategic planning as described in the Government Performance and Results Act.  
    (1) Update OIG strategic plan each year.  
    (2) Prepare an OIG performance plan.  
    (3) Prepare an OIG performance report.  
Complete continuing professional education requirements.

## **Programmed Activities - Fiscal Years 1999-2004**

The activities planned for the Office of Inspector General for fiscal years 1999-2004 are displayed below. The activities are scheduled in priority sequence based on the assessed risk and affordability in a given fiscal year.

Affordability was determined in a three-step process. First, funding for fiscal year 1999 (FY99) was assumed to be the amount requested, \$1.75 million. Funding in subsequent years was assumed equal except for an increase of 5.5% for personnel costs. Second, the cost of mandatory activities was subtracted from the assumed funding level, and the residual used to determine available funds for discretionary projects. Last, discretionary projects were allocated to each fiscal year until



available funds were exhausted. Discretionary projects may include higher levels of mandatory activities such as audit service reviews of the work of independent public accountants.

### **Fiscal Year 1999**

#### ALL MANDATORY ACTIVITIES

#### DISCRETIONARY PROJECTS:

- Conduct audits of service delivery information reporting by grant recipients.
- Conduct additional audits of grantee compliance with laws and regulations.

- Operate the fraud and abuse HOTLINE.
- Publish fraud alerts as appropriate.
- Monitor criminal cases investigated by other organizations.

- Issue report on the ways grantees' priority categories for services are chosen and low-income persons' role in setting priorities.

- Review the effects on clients of LSC grantees' focus on brief services.

- Review the effectiveness of the work done by Private Attorney Involvement (PAI) attorneys in serving low-income clients and impact of the requirement to expend a minimum percentage of funding on PAI.

- Assess grantees' satisfaction with their contacts with the Office of Program Operations.

- Install an updated version of the Audit Information Management System (AIMS).

- Install an information management application for the investigations function.

- Install an interim application for tracking OIG project status and costs.

- Design an information system for tracking OIG project status and costs.

- Consult, as requested, on topics of interest to the LSC Board or management.

### **Fiscal Year 2000**

#### ALL MANDATORY ACTIVITIES

#### DISCRETIONARY PROJECTS:

- Conduct audits of grantee compliance with laws and regulations.

- Review the new LSC accounting system.

- Review LSC management of information resources.

Operate the fraud and abuse HOTLINE.

~~Monitor fraud and abuse cases investigated by other organizations.~~

Review the extent to which low-income clients' stated goals are represented by grantee advocates and clients' satisfaction with legal services received.

Install an information management application for tracking OIG project status and costs.

Consult, as requested, on topics of interest to the LSC Board or management.

## **Fiscal Year 2001**

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### **ALL MANDATORY ACTIVITIES**

#### **DISCRETIONARY PROJECTS:**

Conduct audits of grantee compliance with laws and regulations.

Review the process and results of competition for LSC grants.

Operate the fraud and abuse HOTLINE.

~~Monitor fraud and abuse cases investigated by other organizations.~~

Compare the effectiveness of the staff attorney model to other ways of delivering legal services to low-income persons.

Assess grantee satisfaction with contacts with the OIG.

Consult, as requested, on topics of interest to the LSC Board or management.

## **Fiscal Year 2002**

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### **ALL MANDATORY ACTIVITIES**

#### **DISCRETIONARY PROJECTS:**

Conduct audits of grantee compliance with laws and regulations.

Review LSC procurement activities.

Operate the fraud and abuse HOTLINE.

Publish fraud alerts as appropriate.  
Monitor criminal cases investigated by other organizations.

Review the effectiveness and efficiency of LSC regulations, including LSC grantees' perspective on implementing regulations.  
Research and assess key aspects of the effectiveness and efficiency of LSC grantees' work in serving low-income persons' legal needs.

Assess grantee satisfaction with their contacts with the Office of Program Operations.  
Consult, as requested, on topics of interest to the LSC Board or management.

### **Fiscal Year 2003**

#### **All MANDATORY ACTIVITIES**

#### **DISCRETIONARY PROJECTS:**

Conduct audits of grantee compliance with laws and regulations.  
Review LSC investigations of complaints against grantees.  
Review handling of client trust funds.

Operate the fraud and abuse HOTLINE.  
~~Monitor criminal cases investigated by other organizations.~~

Assess grantee satisfaction with contacts with the Office of Program Operations.  
Consult, as requested, on topics of interest to the LSC Board or management.

### **Fiscal Year 2004**

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Conduct audits of grantee compliance with laws and regulations.  
Review grant disbursement process and transactions.  
Review LSC travel expenses.  
Review LSC payroll expenses.

Operate the fraud and abuse HOTLINE.  
~~Monitor criminal cases investigated by other organizations.~~